

**STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2007
(Expressed in Thousands)**

Includes cash on hand, cash in local banks and cash in the State Treasury. Additional note disclosure is on page 59.

Governmental Activities encompass most of the State's basic services and are funded through taxes, fees and federal grants.

Business-Type Activities are financed in whole or in part by fees charged to external parties for goods or services.

Discretely Presented Component Units are entities legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete.

A breakdown of receivables appears in Note 4 on page 67.

Internal balances represent net short-term receivables and payables between funds.

Most investments are invested by the Investment Council. Note disclosure on investments appears on pages 59-66.

Most capital assets are reported at their original cost less the accumulated annual depreciation charges. Assets such as land are not depreciated. Examples of infrastructure assets would be highways and bridges. Additional information is presented in the notes on pages

Liabilities are shown in order of maturity. A breakdown of what Accounts Payable and Other Liabilities represents is shown in the Notes on page 68.

The notes on pages 80-89 provide information on long-term liabilities including what they consist of and what the changes were during the year.

Restricted net assets are assets that have externally imposed constraints placed on them by creditors, laws or regulations of other governments or constraints imposed through constitutional provisions.

Funds held as permanent investments consist of the Education Enhancement, Health Care, Dakota Cement and S&PL 'trust' funds. The nonexpendable portion represents the principal amount held inviolate.

Unrestricted Net Assets represents assets which may be used at the state's discretion. Often though, these assets have restrictions placed on them from enabling legislation such as for the Dakota Cement Trust funds or other such funds created for specific purposes. Unrestricted Net Assets also include non-liquid assets such as inventories and receivables.

| | Primary Government | | | |
|---|-------------------------|--------------------------|--------------|-----------------|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| Assets | | | | |
| Cash and Cash Equivalents | \$ 611,361 | \$ 111,162 | \$ 722,523 | \$ 447,352 |
| Receivables (Net) | 333,709 | 316,571 | 650,280 | 1,418,567 |
| Due From Component Units | 949 | 26 | 975 | |
| Due From Primary Government | | | 0 | 1,356 |
| Internal Balances | 5,588 | (5,588) | 0 | |
| Investments | 829,912 | 61,137 | 891,049 | 865,226 |
| Inventory | 22,014 | 1,643 | 23,657 | 9,030 |
| Deferred Fiscal Charges and Other Assets | 8,090 | 1,049 | 9,139 | 15,393 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 1 | 21 | 22 | 1,811 |
| Investments | 23,421 | 1,322 | 24,743 | 79,096 |
| Other | | 988 | 988 | 31,747 |
| Securities Lending Collateral | 160,355 | 12,725 | 173,080 | 32,126 |
| Capital Assets: | | | | |
| Land and Other Non-depreciable Assets | 660,095 | 295 | 660,390 | 35,558 |
| Infrastructure (net) | 1,797,331 | | 1,797,331 | |
| Property, Plant and Equipment (net) | 346,020 | 2,534 | 348,554 | 330,313 |
| Construction in Progress | 223,449 | | 223,449 | 72,359 |
| Total Assets | 5,022,295 | 503,885 | 5,526,180 | 3,339,934 |
| Liabilities | | | | |
| Accounts Payable and Other Liabilities | 241,010 | 4,909 | 245,919 | 49,175 |
| Due To Primary Government | | | 0 | 975 |
| Due To Component Units | 1,356 | | 1,356 | |
| Accrued Interest Payable | 8,015 | 1,851 | 9,866 | 16,504 |
| Deferred Revenue | 46,992 | 2,087 | 49,079 | 1,484 |
| Securities Lending Collateral Liability | 160,355 | 12,725 | 173,080 | 32,126 |
| Noncurrent Liabilities: | | | | |
| Due Within One Year | 46,454 | 4,832 | 51,286 | 269,141 |
| Due In More Than One Year | 407,908 | 96,030 | 503,938 | 1,879,732 |
| Total Liabilities | 912,090 | 122,434 | 1,034,524 | 2,249,137 |
| Net Assets | | | | |
| Invested In Capital Assets, Net of Related Debt | 2,947,980 | 2,829 | 2,950,809 | 290,914 |
| Restricted For: | | | | |
| Highways | 41,193 | | 41,193 | |
| Agriculture and Natural Resources | 76,655 | 1,302 | 77,957 | |
| Health and Public Assistance | 6,565 | 3,429 | 9,994 | |
| Economic Development | 17,143 | | 17,143 | |
| Debt Service | 75,003 | 1,344 | 76,347 | 361,608 |
| Capital Projects | 7,082 | | 7,082 | |
| Unemployment Compensation | | 21,352 | 21,352 | |
| Environmental Projects | | 241,119 | 241,119 | |
| Energy Conservation Program | 9,867 | | 9,867 | |
| Revolving Loan Programs | | 8,348 | 8,348 | |
| Higher Education - Expendable | | | 0 | 125,416 |
| Higher Education - Nonexpendable | | | 0 | 218,677 |
| Funds held as Permanent Investments | | | | |
| Expendable | 149,842 | | 149,842 | |
| Nonexpendable | 682,970 | | 682,970 | |
| Other Purposes | 25,597 | 7,428 | 33,025 | 13,459 |
| Unrestricted | 70,308 | 94,300 | 164,608 | 80,723 |
| Net Assets | \$ 4,110,205 | \$ 381,451 | \$ 4,491,656 | \$ 1,090,797 |

The notes to the financial statements are an integral part of this statement.

Net Assets of \$4,110,205 represents Total Assets of \$5,022,295 less Total Liabilities of \$912,090.

THE ABOVE STATEMENT APPEARS ON PAGE 31 OF THE SINGLE AUDIT REPORT

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included as program revenues are reported as general revenues.

This represents the total cost of the function or program.

A list of what state agencies comprise the different functional classifications can be found on page 9.

Revenue sharing expense represents the distribution of state imposed taxes or fees to other units of government. An example would be motor vehicle licenses where the county retains a portion of the amount collected..

Functions/Programs

Primary Government:

Governmental Activities:

| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Component Units |
|--|------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|--------------------|-----------------|
| General Government | \$ 194,266 | \$ 142,225 | \$ 17,084 | \$ | \$ (34,957) | \$ | \$ (34,957) | |
| Education - Elementary, Secondary and Vocational Schools | 186,599 | 4,137 | 146,641 | | (35,821) | | (35,821) | |
| Education - State Support to Universities | 160,725 | | | | (160,725) | | (160,725) | |
| Health, Human and Social Services | 1,043,771 | 25,506 | 675,327 | | (342,938) | | (342,938) | |
| Law, Justice, Public Protection and Regulation | 232,526 | 49,435 | 56,708 | 243 | (126,140) | | (126,140) | |
| Agriculture and Natural Resources | 123,135 | 54,403 | 38,686 | | (30,046) | | (30,046) | |
| Economic Resources | 39,371 | 1,788 | 11,631 | | (25,952) | | (25,952) | |
| Transportation | 362,680 | 6,007 | 312,471 | 757 | (43,445) | | (43,445) | |
| Intergovernmental - Payments to School Districts | 346,582 | | | | (346,582) | | (346,582) | |
| Intergovernmental - Revenue Sharing | 101,669 | | | | (101,669) | | (101,669) | |
| Unallocated Interest Expense | 23,191 | | | | (23,191) | | (23,191) | |
| Unallocated Depreciation | 58 | | | | (58) | | (58) | |
| Total Governmental Activities | 2,814,573 | 283,501 | 1,258,548 | 1,000 | (1,271,524) | 0 | (1,271,524) | |

Business-Type Activities:

| | | | | | | | | |
|---|---------------------|-------------------|---------------------|-----------------|--------------------|----------------|--------------------|--|
| Lottery | 31,404 | 152,697 | 733 | | | 122,026 | 122,026 | |
| Clean Water State Revolving | 3,996 | 4,479 | 5,577 | | | 6,060 | 6,060 | |
| Drinking Water State Revolving | 2,720 | 3,460 | 13,390 | | | 14,130 | 14,130 | |
| Revolving Economic Development and Initiative | 1,604 | 1,338 | 2,661 | | | 2,395 | 2,395 | |
| Unemployment Insurance | 23,974 | 24,560 | 1,118 | | | 1,704 | 1,704 | |
| Second Injury | 4,361 | 5,369 | 79 | | | 1,087 | 1,087 | |
| State Fair | 2,270 | 1,410 | 21 | | | (839) | (839) | |
| Federal Surplus Property | 3,641 | 3,483 | 20 | | | (138) | (138) | |
| Rural Rehabilitation | 788 | 288 | 362 | | | (138) | (138) | |
| Prison Industries | 2,876 | 3,280 | 121 | | | 525 | 525 | |
| Health Insurance Risk Pool | 6,507 | 4,655 | 1,492 | | | (360) | (360) | |
| Professional and Licensing | 5,551 | 5,864 | 490 | | | 803 | 803 | |
| Banking and Insurance | 2,031 | 1,758 | 82 | | | (191) | (191) | |
| Other | 2,644 | 2,161 | 116 | | | (367) | (367) | |
| Total Business-Type Activities | 94,367 | 214,802 | 26,262 | 0 | 0 | 146,697 | 146,697 | |
| Total Primary Government | \$ 2,908,940 | \$ 498,303 | \$ 1,284,810 | \$ 1,000 | (1,271,524) | 146,697 | (1,124,827) | |

Component Units:

| | | | | | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-----------------|--|--|--|-----------------|
| Higher Education | \$ 506,459 | \$ 277,163 | \$ 117,663 | \$ 3,081 | | | | \$ (108,552) |
| Housing Authority | 120,249 | 148,286 | | | | | | 28,037 |
| Science and Technology Authority | 1,523 | 1 | 854 | | | | | (668) |
| Nonmajor | 1,292 | 1,307 | 2 | | | | | 17 |
| Total Component Units | \$ 629,523 | \$ 426,757 | \$ 118,519 | \$ 3,081 | | | | (81,166) |

General Revenues include those taxes and other sources of income used to fund the net costs of the functions. These revenues are not included as Program Revenue because they are not directly associated with receiving a benefit from the program or activity.

General Revenues:

| | | | | | | | | |
|---|--------------|--|--|--|------------|--------------|--|--------------|
| Taxes: | | | | | | | | |
| Sales Taxes | 625,133 | | | | | 625,133 | | |
| Motor Fuel Taxes | 146,851 | | | | | 146,851 | | |
| Contractors Excise Taxes | 81,069 | | | | | 81,069 | | |
| Bank Card and Franchise Taxes | 76,497 | | | | | 76,497 | | |
| Other Taxes | 211,452 | | | | | 211,452 | | |
| Unrestricted Investment Earnings | 137,568 | | | | | 137,568 | | 8,914 |
| State Aid | | | | | | | | 160,725 |
| Gain on Sale of Capital Assets | 1,305 | | | | | 1,305 | | |
| Miscellaneous | 39,667 | | | | | 39,667 | | |
| Additions to Endowments | | | | | | | | 10,500 |
| Transfers | 120,065 | | | | (120,065) | | | |
| Total General Revenues, Additions to Endowments and Transfers | 1,439,607 | | | | (120,065) | 1,319,542 | | 180,139 |
| Changes in Net Assets | 168,083 | | | | 26,632 | 194,715 | | 98,973 |
| Net Assets - Beginning, as restated | 3,942,122 | | | | 354,819 | 4,296,941 | | 991,824 |
| Net Assets - Ending | \$ 4,110,205 | | | | \$ 381,451 | \$ 4,491,656 | | \$ 1,090,797 |

Miscellaneous General Revenues would include the tobacco settlement revenue received from participating tobacco companies and unclaimed property receipts.

Additional note disclosure on transfers can be found on page 69.

The Change in Net Assets identify whether the State's financial position improved or (declined) during the year.

**STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007
(Expressed in Thousands)**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus attempts to answer the question of whether there are enough current resources available for spending in the near future. Revenues are recognized as soon as they are both measurable and available. Expenditures are recognized in the period in which the fund liability is incurred except for the long-term portion of certain liabilities such as bonds payable, compensated absences and capital lease obligations.

To find additional detail on the Nonmajor funds, see the combining statements on pages 110-150.

The cash reported in the General Fund includes \$43.2 million in the Budget Reserve Fund.

| | General Fund | Transportation | Social Services Federal | Dakota Cement Trust | Education Enhancement Trust | Nonmajor | Total |
|--|-------------------|-------------------|-------------------------|---------------------|-----------------------------|-------------------|---------------------|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ 98,085 | \$ 35,547 | \$ | \$ 20,214 | \$ 41,314 | \$ 360,359 | \$ 555,519 |
| Investments | | | | 259,908 | 378,891 | 214,534 | 853,333 |
| Securities Lending Collateral | 30,779 | 6,154 | | 48,651 | | 65,135 | 150,719 |
| Receivables From: | | | | | | | |
| Taxes (net) | 97,800 | 11,550 | | | | 5,504 | 114,854 |
| Interest and Dividends | 4,072 | 298 | 3 | 1,462 | 2,289 | 3,288 | 11,412 |
| Other Funds | 49,881 | 1,083 | 34 | | | 12,608 | 63,606 |
| Component Units | | | | | | 158 | 158 |
| Other Governments | 932 | 34,404 | 39,968 | | | 64,489 | 139,793 |
| Loans and Notes (net) | | 284 | | | | 37,851 | 38,135 |
| Other (net) | 2,175 | 250 | 2,183 | | | 18,955 | 23,563 |
| Inventory | 2,354 | 12,816 | | | | 4,849 | 20,019 |
| Deferred Fiscal Charges and Other Assets | 678 | | 33 | | | 693 | 1,404 |
| Total Assets | \$ 286,756 | \$ 102,386 | \$ 42,221 | \$ 330,235 | \$ 422,494 | \$ 788,423 | \$ 1,972,515 |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable and Other Liabilities | \$ 36,533 | \$ 40,605 | \$ 30,713 | \$ | \$ | \$ 34,725 | \$ 142,576 |
| Payable To: | | | | | | | |
| Other Funds | 3,784 | 1,301 | 9,457 | | 14,767 | 34,522 | 63,831 |
| Component Units | 13 | | 101 | | | 1,175 | 1,289 |
| Other Governments | 38,300 | 2,568 | 118 | | | 43,768 | 84,754 |
| Claims, Judgments and Compensated Absences | 110 | 93 | 26 | | | 97 | 326 |
| Deferred Revenue | 1,847 | 1,357 | 1,765 | | | 51,133 | 56,102 |
| Securities Lending Collateral Liability | 30,779 | 6,154 | | 48,651 | | 65,135 | 150,719 |
| Total Liabilities | 111,366 | 52,078 | 42,180 | 48,651 | 14,767 | 230,555 | 499,597 |
| Fund Balances: | | | | | | | |
| Reserved For: | | | | | | | |
| Encumbrances | 18,227 | 2,926 | 4,548 | | | 17,357 | 43,058 |
| Inventories | 2,354 | 12,816 | | | | 4,849 | 20,019 |
| Debt Service | | | | | | 85,578 | 85,578 |
| School Perpetuity | | | | | | 30,952 | 30,952 |
| Noncurrent Assets | 12,000 | 97 | | | | 36,808 | 48,905 |
| Funds held as Permanent Investments | | | | 238,000 | 329,330 | 85,631 | 652,961 |
| Unreserved Designated for Budget Reserve | 43,247 | | | | | | 43,247 |
| Unreserved Undesignated, Reported In: | | | | | | | |
| General Fund | 99,562 | | | | | | 99,562 |
| Special Revenue Funds | | 34,469 | (4,507) | 43,584 | 82,997 | 289,609 | 446,152 |
| Capital Project Funds | | | | | | 7,084 | 7,084 |
| Total Fund Balances | 175,390 | 50,308 | 41 | 281,584 | 412,327 | 557,868 | 1,477,518 |
| Total Liabilities and Fund Balances | \$ 286,756 | \$ 102,386 | \$ 42,221 | \$ 330,235 | \$ 427,094 | \$ 788,423 | \$ 1,977,115 |

Reserved fund balance represents that portion of the governmental fund's equity which is not available for appropriation.

The amount reported here is the Budget Reserve Fund equity.

THE ABOVE STATEMENT APPEARS ON PAGES 34-35 OF THE SINGLE AUDIT REPORT.

This reconciliation provides the entries needed to convert the governmental funds into the Governmental Activities reported in Government-Wide Statement of Net Assets.

**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2007

(Expressed in Thousands)

Total Fund Balances - Governmental Funds

\$ 1,477,518

This is the fund equity reported for governmental funds on pages 34-35.

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. These assets consist of:

| | |
|-----------------------------------|-------------|
| Land and Construction in Progress | 883,117 |
| Infrastructure | 2,964,366 |
| Other Capital Assets | 552,039 |
| Accumulated Depreciation | (1,396,750) |
| Total Capital Assets | |

Governmental funds do not report capital assets because their focus is on available spendable resources. This represents the value of capital assets used in governmental activities and associated depreciation on those assets reported in the government-wide statements.

3,002,772

Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

16,978

Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

37,214

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities are:

| | |
|-----------------------------|-----------|
| Bonds and Notes | (349,154) |
| Accrued Interest on Bonds | (8,015) |
| Capital Leases | (22,445) |
| Compensated Absences | (43,384) |
| Unclaimed Property | (1,025) |
| Workers Compensation | (254) |
| Total Long-Term Liabilities | |

Governmental funds do not report long-term liabilities but they are reported for Governmental Activities in the government-wide statements.

(424,277)

Net Assets of Governmental Activities

\$ 4,110,205

THE ABOVE STATEMENT APPEARS ON PAGE 37 OF THE SINGLE AUDIT REPORT.